

**ROSEMONT COPPER PROJECT
DRAFT CONCEPTUAL HABITAT MITIGATION
AND MONITORING PLAN SUMMARY
CORPS FILE NO. SPL-2008-00816-MB**

Rosemont Copper Company (Rosemont) proposes to develop an open pit copper mine known as the Rosemont Copper Project (the Project). On October 11, 2011, Rosemont submitted a Clean Water Act (CWA) Section 404 permit application to the U.S. Army Corps of Engineers (Corps) requesting a Section 404 permit to discharge fill materials into potential waters of the United States in connection with proposed Project activities (Corps File No. SPL-2008-00816-MB). As part of CWA Section 404 individual permit requirements for discharge into waters of the United States, a Habitat Mitigation and Monitoring Plan (HMMP) must be prepared in accordance with the Corps' and the U.S. Environmental Protection Agency's (EPA) "Final Rule for Compensatory Mitigation for Losses of Aquatic Resources" (33 C.F.R. Parts 325 and 332 and 40 C.F.R. Part 320; published in 73 Fed. Reg. 19594-19705), hereinafter referred to as the 2008 Mitigation Rule. The fundamental objective of the 2008 Mitigation Rule is to establish standardized compensatory mitigation criteria for all mitigation types to offset unavoidable impacts to waters of the United States authorized through the issuance of a CWA Section 404 permit.

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The proposed Project impacts to potential waters of the U.S. are primarily the result of the deposit of waste rock and filtered tailings, development of the pit, grading for processing facilities, and the construction of stormwater controls, roadways, and other appurtenant features associated with the proposed Project. An estimated 40.0 acres of potential waters of the U.S. will be directly impacted by the proposed Project, and an additional 2.8 acres will be indirectly impacted. Indirect impacts will occur in Barrel Canyon as a result of the dewatering effects of depositing waste rock and filtered tailings in the headwaters of the canyon. Impacted potential waters of the U.S. are almost exclusively ephemeral washes, with the exception of minor intermittent flows from springs following rain events. No special aquatic sites will be directly impacted by the proposed Project.

MITIGATION SUMMARY

Rosemont has worked closely with the Corps to identify compensatory mitigation opportunities for the proposed Project (*Figure 1*). The HMMP, when completed, will become part of the permit for the Project. A summary of the proposed mitigation elements is described below.

Pantano Dam and Managed Underground Storage Facility in Cienega Creek

Rosemont has acquired approximately 1,122 acre-feet per annum of surface water rights in the Cienega Creek Watershed, of which approximately 150 acre-feet per annum will be allocated to conservation and land management agencies in Upper Cienega Creek as in-stream flow rights to support conservation measures. In addition, Rosemont will make available 146 acre-feet of water rights for use by the Pima

County Regional Flood Control District (PCRFCDD) (or similarly authorized entity) to preserve and enhance the aquatic and riparian ecosystems in the Cienega Creek Natural Preserve.

The balance of the water right (826 acre-feet per annum) will be divided in half, with 413 acre-feet per annum being allocated to a Corps-approved in-lieu fee (ILF) sponsor for use in the development of an ILF project downgradient of the Pantano Dam, and the remaining 413 acre-feet per annum being held by Rosemont and used to recharge the Cienega Creek aquifer below Pantano Dam through a managed underground storage facility (MUSF). Rosemont may receive mitigation credits through the purchase of ILF credits from the ILF sponsor. The number of credits required to be purchased by Rosemont is still to be determined and will be based upon the mitigation project the ILF sponsor proposes to implement.

Sonoita Creek Ranch

Sonoita Creek Ranch (SCR) is an approximately 1,200-acre ranch located approximately six miles south of Sonoita, Arizona and two miles north of Patagonia, Arizona in Santa Cruz County (*Figure 1*). Approximately 590 acre-feet per annum of water rights are appurtenant to the ranch. The water is supplied to the ranch by Monkey Spring, a natural spring less than a mile north of the SCR property on an adjacent privately-owned property. Most of the 590 acre-feet of certificated water right appurtenant to the ranch is currently used to seasonally irrigate over 110 acres of agriculture fields. The foothills of the Canelo Hills are present in the eastern portion of the ranch, and the eastern boundary of the property shares a boundary with the Coronado National Forest (CNF).

The SCR property includes nearly six (6) acres of open water and wetland in two large ponds. Habitat in and associated with the ponds includes emergent and forested wetland and riparian components, which are all supported by perennial flows from Monkey Spring. The ponds are connected by a small earthen-lined drainage conveying overflow water from the northern pond to the southern pond. Irrigation water for the agricultural activities is provided from overflow from the southern pond. Currently, this system is not subject to flood flows in Sonoita Creek.

Nearly three miles of Sonoita Creek and over a mile of Corral Canyon are included within the confines of the ranch. Both areas are characterized by mature riparian vegetation buffered by wide floodplains of dense native grassland. Sonoita Creek Ranch provides approximately six (6) acres of emergent wetland, 349 acres of potential waters of the U.S. and associated riparian habitat, and 723 acres of semi-desert grassland and Madrean evergreen woodland upland buffer habitat (*Figure 2*).

Under this conceptual mitigation plan, Rosemont will purchase the 1,200-acre Sonoita Creek Ranch and the estimated 590 acre-feet per annum of certificated water rights, and will then convey the property and the water rights to a Corps-approved ILF sponsor. The land and water rights will establish the resource framework and opportunity for the development of an ILF project, which is anticipated to include the discontinuation of agriculture irrigation and the use of the perennial flows from Monkey Spring to establish wetland and riparian habitat.

Based on preliminary designs, the Sonoita Creek Ranch ILF project will incorporate riparian and/or wetland establishment, restoration, and preservation components. The mitigation credits generated by the

ILF project would be available for purchase by Rosemont. Per current Corps guidance, Rosemont will receive some compensatory mitigation credit for the conveyance of Sonoita Creek Ranch and appurtenant water rights to the Corps-approved ILF sponsor. Credit for the conveyance will be calculated as if Rosemont were preserving the site features in place. The number of credits received for the purchase is yet to be determined, though it is anticipated to provide only a portion of the overall mitigation credit requirement for the Rosemont Project. The mitigation credit accrued by Rosemont will not encumber any future ILF project proposal.

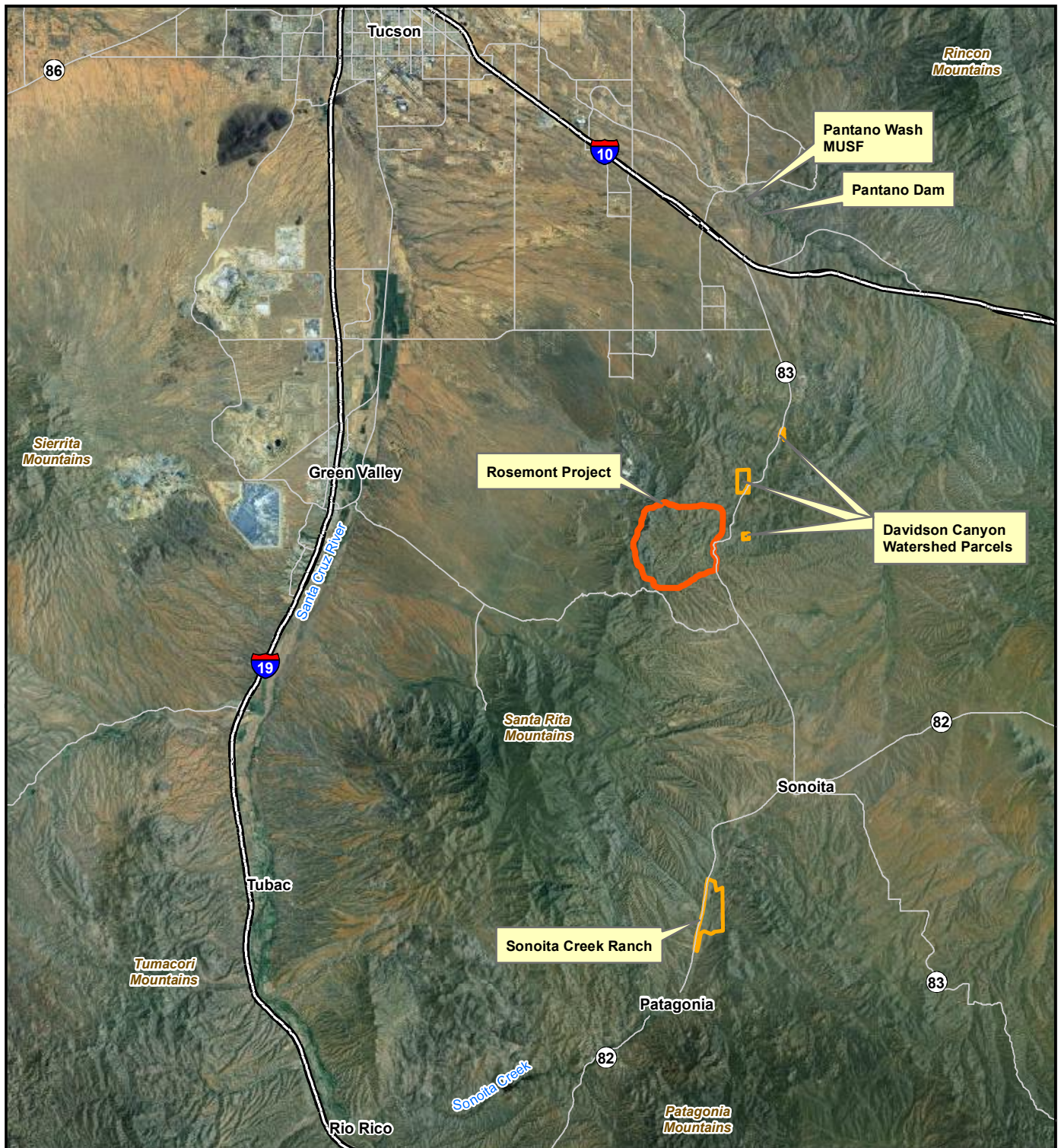
Long-term site protection will be provided by the ILF sponsor. Costs associated with site-protection, financial assurances, long-term maintenance and monitoring, and any other expected design, construction, and/or contingency associated with initiating an ILF project at Sonoita Creek Ranch will be included in the costs calculated by the ILF sponsor while determining the cost per mitigation credit.

Davidson Canyon Watershed Parcels

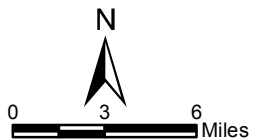
The Davidson Canyon Watershed Parcels consist of four parcels of land comprising approximately 383 acres in the Davidson Canyon watershed both north and east of the Project (*Figure 1*). The parcels include ephemeral wash and riparian habitat along Davidson Canyon, Mulberry Canyon, and East Fork of Davidson Canyon. Two of the parcels are surrounded by lands managed by the CNF and the Arizona State Land Department. The remaining two parcels are adjacent to each other and surrounded by private lands. The Davidson Canyon Watershed Parcels cumulatively include approximately 80 acres of ephemeral drainages and associated riparian habitat, including two springs (Questa Spring and an unnamed spring).

In the event that mitigation credits beyond those described above are required for the Rosemont Project, additional mitigation may be provided by the Davidson Canyon Watershed parcels. Under this plan, Rosemont would record a restrictive covenant or a conservation easement prohibiting certain land uses. For two of the four parcels, a managed grazing schedule will be implemented which would promote forage resources for wildlife. No additional fence construction or maintenance of existing fence is proposed.

Per current Corps guidance, Rosemont may receive preservation-in-place credits for the wash and associated riparian habitat within the four Davidson Canyon Watershed Parcels.



Pima County & Santa Cruz County, Arizona
ESRI World Imagery



Legend

- Mitigation Parcel
- Rosemont Project

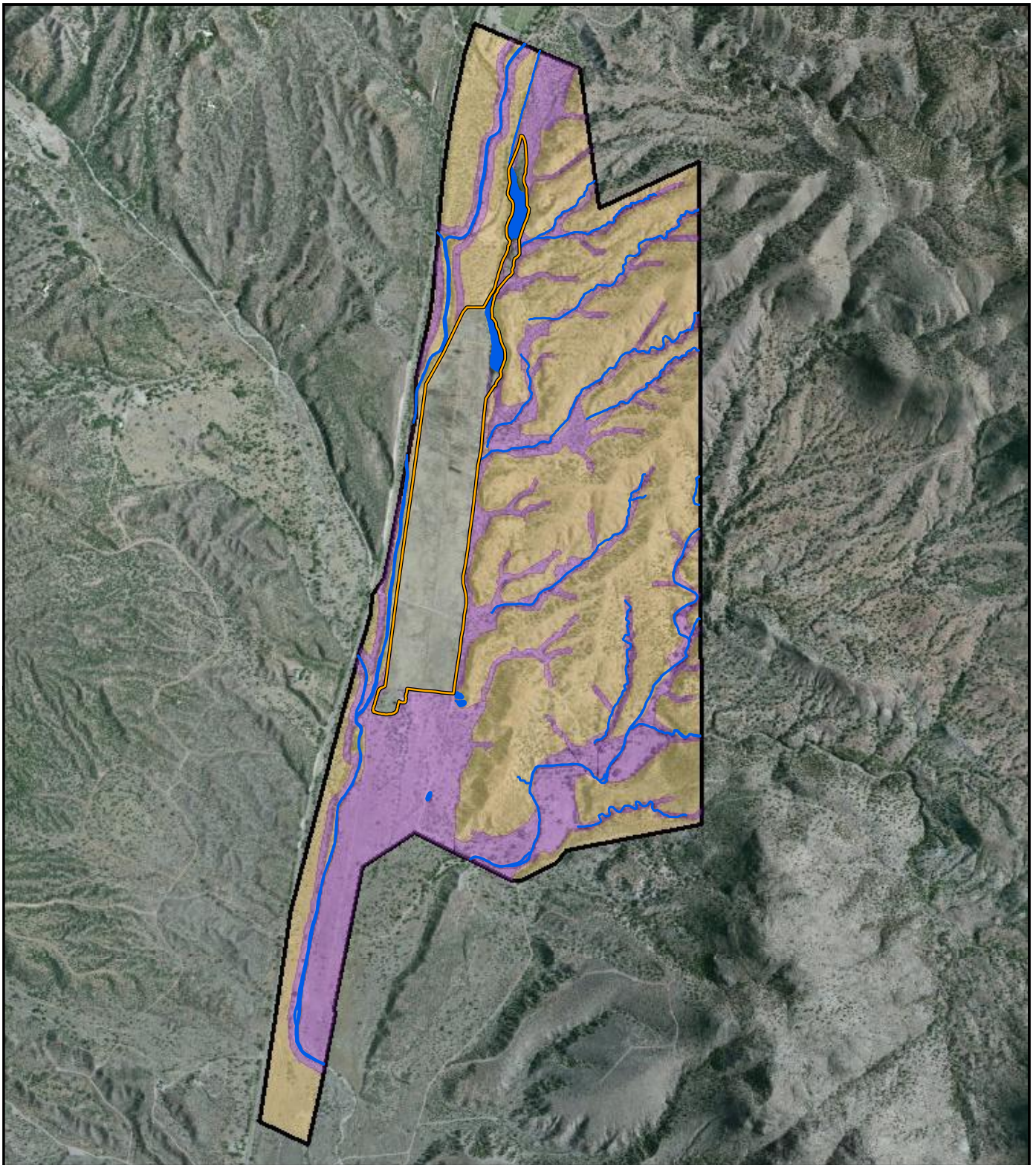
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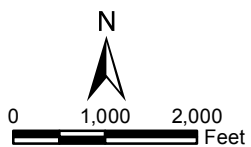
Draft Conceptual Habitat Mitigation and Monitoring Plan Summary

MITIGATION LANDS






Figure 1



T21S, R16E, Portion of Sections 9, 16, 2, 21 & 29,
 Santa Cruz County, Arizona,
 Mount Hughes USGS 7.5' Quadrangle
 Photo Source: Microsoft, November 2010



LEGEND

-  Sonota Creek Ranch
-  Potential Waters of the U.S.
-  Riparian Buffer
-  Proposed In-lieu Fee Habitat Establishment
-  Non-Aquatic Habitat

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SONOTA CREEK RANCH

Figure 2